
Iowa Legislative Fiscal Bureau

Dennis Prouty
(515) 281-5279
FAX 281-8451



State Capitol
Des Moines, IA 50319
August 30, 2002

Prison Farms

ISSUE

This *Issue Review* is a description of the Prison Farms Program, including location, size, financial analysis, operations, gardens, inmate labor, prison beds, and alternatives for the land.

AFFECTED AGENCIES

Department of Corrections (DOC)
Department of Natural Resources (DNR)
Iowa State University (ISU) Extension Service

CODE AUTHORITY

Sections 904.302, 904.705, and 904.706, Code of Iowa

BACKGROUND

The Iowa DOC is responsible for 12 farms listed in **Attachment 1**. Each prison, except for Fort Dodge and Mount Pleasant, has a farm ranging in size from 10 acres used for gardening at Oakdale to 1,446 acres at Anamosa. The DOC retained responsibility for four farms owned by the Department of Human Services (DHS) after becoming a separate department in 1983.

The farms are managed by Iowa Prison Industries (IPI), which maintains a cash-based accounting system. Section 904.706, Code of Iowa, created the Farm Account Revolving Fund, and profits and losses generated by the prison farms flow through this Account. Refer to **Attachments 2 and 3** for balance sheets and income statements for Calendar Years (CY) 1997 through 2001. No State appropriations support the prison farms; they must generate a net profit to remain in business.

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CURRENT SITUATION

Land

The prisons have a total of 7,343 acres. This figure includes land both inside and outside prison walls. In CY 2002, there were:

- 851.9 crop acres
- 1,280 pasture acres
- 2,612.3 rented acres (includes both crop and pasture acres)
- 114.8 garden acres (located primarily inside the prison walls)
- 83.9 acres rented by the DNR for the State nursery at Fort Madison
- 568.7 acres of wetlands and timber
- 20 acres rented by the Clarinda Youth Corporation for a gymnasium and football field
- 1,829.4 acres maintained by the Institutions.

The total acreage that may be considered as farm land is 4,827.2 acres, which includes crop, pasture, rented land, and the DNR nursery, that is surrounded by IPI crop land.

Financial Analysis

The average annual gross profit for prison farms was \$359,000 over the last five years. The average annual net income was \$80,000 during the same period. In reviewing **Attachments 2 and 3**, the prison farms have generated a profit in each of the last three years. Calendar Year 2002 shows a loss as the financial statements are for the first quarter of the year. Iowa farms usually show a loss during the first quarter with most receipts generated in the third quarter. The financial stability of the Farm Account Revolving Fund is tenuous. Iowa Prison Industries uses rent income to offset the losses associated with operating the farms. This is primarily due to the following reasons:

- The seven staff funded by the Farm Account Revolving Fund are included in the collective bargaining unit; therefore, they receive overtime, stand by, and call back pay, which increases personnel costs as farming in Iowa is seasonal.
- Iowa Prison Industries have attempted to operate the farms in the traditional manner, i.e., using highly mechanized equipment. Most inmates do not know how to operate or repair the equipment. Inmates who work on the farms are low-security risks, and generally have a short length of stay in prison. This short length of stay hinders the ability to train inmates on use and repair of farm equipment.
- The Farm Account Revolving Fund incurred increased expenditures in 1983 and 1984 to replace the sold equipment, which created a cash flow issue at the beginning of IPI's management. The equipment was sold during the transition between the Department of Social Services and the DOC in 1983. Most, if not all, of the receipts generated by the equipment sale were deposited into the General Fund.

Prison Farm Operations

The row crops raised on prison farms are sold on the open market or used to feed livestock. The standard practice is for cattle to be sold on the open market. As of June 30, 2002, Anamosa had 583 cattle, five hogs, and one horse; Fort Madison had 47 cattle; and Newton had 95 cattle. A complete asset list is available upon request.

In recent years, IPI has worked with local county extension offices and ISU Extension Services to develop a butchering operation at Anamosa. This permits livestock raised on prison farms to be used for inmate consumption.

Prison Gardens

The prisons have expanded the acreage devoted to gardens in recent years by working with local county extension offices and ISU. Garden produce is used for inmate consumption, and offsets the General Fund cost of feeding the inmates. Garden work is labor-intensive and provides an option for the DOC to meet Iowa's Hard Labor Law as defined in Section 904.701, Code of Iowa.

Inmate Labor

During CY 2001, inmates worked a total of 203,280 hours on the farms. This is the equivalent of 154.0 Full-Time Equivalent (FTE) positions and 26.0 part-time FTE positions. These figures include work performed on the farms, gardens, DNR nursery, and farm maintenance. These labor-intensive jobs include mending fences, gardening, repairing dikes, and repairing, demolishing, and constructing buildings. Inmate labor on prison farms provides an option for the DOC to meet Iowa's Hard Labor Law. The farms provide 10.0% of the total work performed by inmates through IPI.

Prison Beds

There are a total of 180 minimum-security beds in bunk houses at Farm 1 (80 beds) and Farm 3 (100 beds). These inmates have a variety of duties, including community service, farm and garden work, food preparation, housekeeping, working at the IPI warehouse (traditional IPI program), and working at the Lee County landfill. As of August 23, 2002, Farm 1 had 85 inmates (106.3% of capacity), while Farm 3 had 77 inmates (77.0% of capacity). The DOC currently has a shortage of minimum security beds throughout the prison system. As of July 1, 2002, there were 91 more inmates than beds housed in minimum-security facilities.

ALTERNATIVES

There are several alternatives to consider for increasing General Fund receipts:

1. Sell the farm land that is currently rented.
2. Sell all of the farm land, both rented and operated.
3. Sell all land except for the gardens and land located within the prisons.
4. Maintain the current methods of operations.

There are advantages and disadvantages for each of these options. Advantages include:

- One-time source of revenue for the General Fund.

- The State is competing on the open market for prices of row crops and cattle, as IPI farms sell on the open market.
- The State eliminates a program that is intended to be self-supporting. The Farm Account Revolving Fund does not receive any State appropriations. However, in order to be self-supporting, approximately 56.8% of the crop and pasture acres is rented to generate receipts to offset operating losses.

Disadvantages include:

- Selling any land is a one-time source of revenue. Ongoing operating costs should not be funded from this revenue source.
- Selling the rented land would probably result in bankrupting the Farm Account Revolving Fund. According to the IPI, plus a review of the financial statements, the Farm Account Revolving Fund is dependent on cash receipts from rented land to offset operating losses.
- Selling the operating farms will decrease inmate employment at a time when the inmate population is high (on August 23, 2002, the prisons were operating at 120.0% of designed capacity). Iowa Prison Industries' receipts for traditional Industries' programs are also declining, primarily due to State and local government budget reductions. This decline further limits opportunities for inmate employment.
- The potential exists to further reduce General Fund food budget costs for the prisons, by expanding the butchering operations or the gardens. These opportunities for future cost savings would be lost if the farm land is sold.
- The DOC needs to maintain a buffer zone around its facilities for security purposes. Farmers that currently rent land from the IPI operate under certain security restrictions. Selling farm land would eliminate the buffer zones at certain locations.
- Selling the farm land reduces the amount of land that is currently available for future prison expansion or replacement of existing facilities.
- Selling Farm 1 and Farm 3 at Fort Madison decreases current capacity of the prisons, and eliminates 180 minimum-security beds. This would increase prison overcrowding, create a further shortfall for minimum-security beds, and may require the State to incur additional capital costs to replace the beds.

BUDGET IMPACT

Listed below is the estimated amount of gross receipts for the four alternatives listed above. Estimates are based on low-grade dollar value per farm land acre as of November 1, 2001, by Iowa Crop Reporting District as determined by the U.S. Census of Agriculture estimates and a November 1, 2001, survey of Iowa real estate brokers. The low-grade value was used since security restrictions would need to be included in any sales agreement, which would lower the property values. Also, the majority of the acreage is not crop land.

The cost of selling the land (updating the abstract and surveying the property) would need to be deducted from gross receipts. It is assumed that the estimated cost will not exceed \$100,000.

Alternative One, selling currently rented farm land may generate approximately \$3.3 million in gross receipts, or \$3.2 million in net proceeds. This figure is based on selling 2,612.3 acres at nine locations.

Alternative Two, selling all farm land may generate approximately \$5.9 million in gross receipts, or \$5.8 million in net proceeds. This figure is based on selling 4,724 acres at 10 locations.

Alternative Three, selling all land except for the gardens and institutional grounds may generate approximately \$7.1 million in gross receipts, or \$7.0 million in net proceeds. This figure is based on selling 5,597.5 acres at 10 locations and includes the land currently rented by the DNR for the State nursery, wet lands and timber.

It is likely that, with any of these options, all receipts would not be received in FY 2004. A process would need to be established for selling the land, which would need to be surveyed, titles searched, and abstracts updated. Leases for rented property may need to be broken or permitted to end in order to sell the land. Leases for currently rented pasture land run from March through February, while leases for currently rented crop land run from October through September. All leases expire in CY 2003.

Alternative Four, maintaining the current operations would not provide any receipts to the General Fund.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Prison Farms
<http://staffweb.legis.state.ia.us/lfb/IRVIEW/irview.htm>
LFB:IRBAL000.doc/08/29/2002/12:45 pm

Operating Farms

Farm Location	Total Farmland Acres (from certification)	Crop Acres (from certification)	Pasture Acres (approximately)	Rented Acres (per lease)	Garden	DNR	Wetland	Timber (approx.)	Institution (approx.)	Total
Anamosa	1,446.0	591.2	510.0		4.8		8.7	220.0	111.3	1,446.0
Ft. Madison Farm #1	1,026.0		52.0	183.7	20.0				325.8	581.5
Farm #3		205.6	120.0		35.0	83.9			Includes timber and dump	444.5
Farm #1 & #3 combined										1,026.0
Newton	1,477.0	47.1	150.0	799.2	30.0			230.0	220.7	1,477.0
Oakdale	10.0				10.0					10.0
Leased Farms										
Farm Location										
Eldora	379.0		48.0	220.7				20.0	90.3	379.0
Glenwood	1,160.0		400.0	349.7				50.0	360.3	1,160.0
Clarinda	29.0			9.0						9.0
				20.0	Clarinda Youth Corp					20.0
Independence	286.0			75.1					210.9	286.0
Mitchellville	145.0			111.3	5.0				28.7	145.0
Rockwell City	220.0			160.0	10.0				50.0	220.0
Woodward	1,165.0			683.6				40.0	441.4	1,165.0
Totals	7,343.0	843.9	1,280.0	2,612.3	114.8	83.9	8.7	560.0	1,839.4	7,343.0

Source: Iowa Prison Industries

**IPI Prison Farms
Balance Sheets**

Attachment 2

	<u>CY 1997</u>	<u>CY 1998</u>	<u>CY 1999</u>	<u>CY 2000</u>	<u>CY 2001</u>	<u>CY 2002</u>
Assets						
Cash	\$472,772	\$587,765	\$737,093	\$791,861	\$857,030	\$774,602
Accounts Receivable	4,655	16,890	55,490	33,907	13,941	15,759
Chemicals, Seeds, Other	920	0	36	0	51	6,738
Grains/Feed Inventory	170,991	127,648	97,768	151,693	137,569	108,751
Livestock Inventory	355,351	197,768	187,673	200,423	199,170	225,561
Automobiles and Trucks	18,777	19,217	16,530	24,728	47,468	43,808
Farm Buildings	106,032	120,515	134,536	216,633	240,146	232,040
Machinery, Equipment, Purchased Breeding Stock	149,582	157,496	146,046	166,858	238,089	469,165
Due from State Vehicle Dispatcher	72,242	70,127	84,172	79,335	58,739	58,739
Land	430,203	430,203	430,203	430,203	430,203	430,203
Lease Receivables	13,538	13,538	6,307	6,307	6,307	231,049
Prepaid Expenses	1,430	3,405	982	44,105	15,401	51,392
Total Assets	<u>1,796,493</u>	<u>\$1,744,572</u>	<u>\$1,896,836</u>	<u>\$2,146,053</u>	<u>\$2,244,114</u>	<u>\$2,647,807</u>
Liabilities and Equity						
Liabilities						
Accounts Payable	\$26,388	\$49,312	\$32,342	\$80,366	\$38,548	\$5,486
Deferred Revenue	42,317	44,242	50,288	50,320	57,270	315,036
Accrued Sick Leave/ Retirement Pay	2,153	2,153	4,306	2,153	2,153	2,153
Accrued Vacation Payable	20,181	17,671	22,069	19,375	23,308	23,308
Long Term Accounts Payable	0	28,900	22,913	17,521	11,767	198,740
Total Liabilities	<u>\$91,039</u>	<u>\$142,278</u>	<u>\$131,918</u>	<u>\$169,735</u>	<u>\$133,046</u>	<u>\$544,723</u>
Equity						
Opening Balance	\$1,708,791	\$1,705,454	\$1,602,294	\$1,764,918	\$1,976,318	\$2,111,068
Net Income (3/31/02)	(3,337)	(103,160)	162,624	211,400	134,750	(7,984)
Total Equity	<u>\$1,705,454</u>	<u>\$1,602,294</u>	<u>\$1,764,918</u>	<u>\$1,976,318</u>	<u>\$2,111,068</u>	<u>\$2,103,084</u>
Total Liabilities and Equity	<u>\$1,796,493</u>	<u>\$1,744,572</u>	<u>\$1,896,836</u>	<u>\$2,146,053</u>	<u>\$2,244,114</u>	<u>\$2,647,807</u>

Notes:

This balance sheet shows the net value of Automobiles and Trucks, Farm Buildings, and Machinery, Equipment, and Purchased Breeding Stock. That is, depreciation has been deducted from the original cost to purchase the asset.

For CY 1997, CY 1998, and CY 1999, the information provided to the LFB deducted depreciation as one lump sum from the three categories of assets. In order to show the net value of these assets, depreciation was deducted from each category based on its percentage of gross value.

For CY 2000, CY 2001, and CY 2002, the information provided to the LFB deducted depreciation from each category separately.

CY 2002 is through March 31, 2002 (first quarter).

Source: Iowa Prison Industries

**IPI Prison Farms
Profit and Loss Statements**

Attachment 3

	CY 1997	CY 1998	CY 1999	CY 2000	CY 2001	CY 2002*
Revenue						
Sale of Livestock Raised	\$326,747	\$231,029	\$120,799	\$127,556	\$106,135	\$0
Sale of Breeding Stock	50	3,684	0	4,136	3,071	1,879
Sale of Livestock Purchased	39,882	22,612	200,596	195,575	209,629	51,216
Sale of Machinery and Equipment	7,178	8,408	6,535	21,183	13,722	
Sale of Produce and Crops Raised	255,991	190,524	127,191	96,305	155,669	
Rent	249,417	257,240	323,458	370,470	392,952	92,553
Interdepartmental Revenue	32,200	28,884	0	10,307	3,027	
Total Revenue	\$911,465	\$742,381	\$778,579	\$825,532	\$884,205	\$145,648
Expenditures						
Livestock Purchased	\$32,200	\$24,891	\$147,426	\$184,615	\$160,571	\$57,911
Feed Purchased	66,914	36,483	19,402	17,501	21,451	2,055
Seeds and Plants Purchased	25,795	28,312	13,338	15,635	19,040	6,521
Fertilizers, Lime and Chemicals	92,151	59,156	25,341	52,635	44,130	354
Labor Hired (Inmates)	6,816	9,384	5,610	3,436	5,198	1,821
Civilian Salaries	245,322	183,035	152,981	139,759	198,614	40,065
Livestock - Inventory	89,071	157,583	10,094	(12,749)	1,253	(26,392)
Grains/Feeds - Inventory	30,280	43,343	29,880	(53,925)	14,124	28,818
Chemicals, Seeds, and Other Inventory	518	920	(36)	36	(51)	(6,687)
Cost of Sales	\$589,067	\$543,107	\$404,036	\$346,943	\$464,330	\$104,466
Gross Profit	\$322,398	\$199,274	\$374,543	\$478,589	\$419,875	\$41,182
Supplies Purchased	\$6,248	\$14,372	\$6,394	\$6,828	\$15,093	\$3,422
Veterinary Fees and Medicine	15,978	7,497	8,927	7,248	6,911	524
Freight and Trucking	8,017	7,139	7,720	8,614	8,945	1,215
Gas, Fuel, and Oil	12,024	8,673	6,289	11,171	12,307	978
Utilities	3,692	1,708	1,869	1,004	4,321	1,365
Repair to Machinery	19,783	16,109	9,004	7,645	6,876	2,128
Repair to Buildings	2,608	2,153	1,981	54	1,015	
Machine Lease and Rental	76,014	64,790	43,801	37,254	38,310	201
Depreciation	63,111	55,636	57,203	63,465	83,180	27,152
Miscellaneous	2,184	15,886	6,608	9,569	10,303	917
Interest Expense	0	0	1,856	1,517	1,154	
Machine Hire	45,509	34,193	6,431	18,509	20,415	(406)
Administrative Travel	721	999	1,083	397	278	56
Administrative Salaries	32,221	33,989	35,061	39,727	40,238	8,101
Breeding Fees	0	1,829	0		0	
Conservation and Land Clearing	13,089	4,441	249	150	21,024	
Advertising	204	825	339	1,020	488	83
Office Supplies/Postage	527	2,777	591	826	557	30
Auto and Trucks	12,411	14,211	10,556	8,052	8,736	2,802
Storage and Warehousing	0	1,924	1,415	1,960	0	
Telephone	1,161	1,008	1,632	2,228	2,246	558
Travel	0	194	0	0	71	
Other Selling Expenses	7,649	10,942	2,666	2,217	2,203	
Other Expenses	0	0	0	37,663	240	
Administrative Depreciation	2,584	1,141	247	72	213	40
Total Selling and Admin. Expense	\$325,735	\$302,436	\$211,922	\$267,190	\$285,124	\$49,166
Income (Loss)	(\$3,337)	(\$103,162)	\$162,621	\$211,399	\$134,751	(\$7,984)

*CY 2002 is for the period January through March 2002 (first quarter).